FILE COPY
No 707

In the

Supreme Court of the United States.

OCTOBER TERM, 1942.

BENJAMIN W. FREEMAN,
Petitioner,

v.

BEE MACHINE COMPANY,
Respondent.

BRIEF FOR RESPONDENT OPPOSING PETITION FOR WRIT OF CERTIORARI.

GEORGE P. DIKE,
CEDRIC W. PORTER,
for the Respondent BEE MACHINE CO.

JAMES W. SULLIVAN,
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RESPONDENT.

BRIEF FOR RESPONDENT OPPOSING PETITION FOR WRIT OF CERTIORARI.

I. STATEMENT OF THE CASE.

The facts of this case are clearly and accurately stated by the Circuit Court of Appeals in its Opinion (R. pp. 116–117). So far as now material, they are:

Respondent, plaintiff below, a Massachusetts corporation, on February 3, 1941 brought an action at law against petitioner, defendant below, a citizen of Ohio, in the Superior Court of the Commonwealth of Massachusetts. Personal service was made on the petitioner Freeman within the Commonwealth of Massachusetts. The plaintiff's Declaration (R. pp. 5–9) alleged breach by petitioner of the express and implied terms of a certain patent license agreement entered into between the parties on November 29, 1933, the petitioner Freeman being the patent owner and licensor, and respondent the licensee. Petitioner, appearing especially, removed the action to the United States District

Court for the District of Massachusetts because of diversity of citizenship of the parties and the requisite jurisdictional amount (R. pp. 9–17). Petitioner filed his Answer in the District Court (R. pp. 18–22). Petitioner then moved for Summary Judgment dismissing the action as *res adjudicata* (R. pp. 24–25) by reason of the judgment of the United States District Court for the Southern District of Ohio in an action brought by respondent against petitioner to enjoin cancellation of the license agreement—wherein judgment was entered in favor of petitioner and affirmed by the Circuit Court of Appeals for the Sixth Circuit (R. pp. 26–93). Before the hearing on the Motion for Summary Judgment, respondent moved in the District Court to amend its original Complaint to add an Action for Treble Damages under the Anti-Trust laws of the United States (R. pp. 94–99). Petitioner's Motion for Summary Judgment was granted by the District Court and respondent's Motion to Amend the Complaint was denied on the ground of *lack of jurisdiction* of the Federal District Court, and Final Judgment was entered dismissing the Complaint (R. pp. 100–111). Respondent appealed and the Circuit Court of Appeals for the First Circuit affirmed the judgment which dismissed the original Complaint as *res adjudicata,* but reversed it insofar as it denied respondent's Motion to Amend its Complaint. The Court held that the Federal District Court *had jurisdiction* of the action under the Anti-Trust Laws of the United States, but since the District Court had not exercised its discretionary power under Rule 15(a) of the Rules of Civil Procedure to allow or disallow the Amendment to the Complaint, remanded the case for the exercise of the District Court's discretion and further proceedings not inconsistent with its Opinion (R. pp. 121–124).

Petitioner now seeks a writ of certiorari in this Court to review the decision and judgment of the Circuit Court of Appeals on the question of *jurisdiction* of the District Court

entertain the action under the Federal Anti-Trust Laws. Following the Mandate of the Circuit Court of Appeals, respondent has renewed its Motion in the District Court to amend its Complaint by adding the Action under the Anti-Trust Laws of the United States, in the exercise of the discretion of the District Court.

We submit that the petition for writ of certiorari should be denied, because the judgment of the Court of Appeals was correct, and in accord, rather than in conflict, with the applicable decisions of this Court. The decisions of the Federal District Courts to the contrary are obviously incorrect.

II. THE DECISION OF THE DISTRICT COURT.

The District Court held (Opinion, R. pp. 107–111), since the State Court of Massachusetts had no jurisdiction over the action based on the Anti-Trust laws of the United States, that (R. p. 110):

> "The jurisdiction of the Federal court in an action removed from the State court is derivative, and if the State court was without jurisdiction to entertain the cause of action set up in plaintiff's motion, then this court is also without jurisdiction.
>
> *Lambert Run Coal Co.* v. *Baltimore & Ohio Railroad Co.*, 258 U.S. 377, 382;
>
> *General Investment Co.* v. *Lake Shore & M. S. Ry. Co.*, 260 U.S. 261, 286.
>
> *Carroll* v. *Warner Bros. Pictures, Inc.*, 20 F. Supp. 405.

In the *General Investment Co.* case the court observed (page 288):

> " 'When a cause is removed from a state court into a federal court the latter takes it as it stood in the former. A want of jurisdiction in the state court is

not cured by the removal, but may be asserted after it is consummated.' "

The decision of the District Court, therefore, would require Respondent to bring its action under the Federal Anti-Trust laws in the Federal Court of Ohio (Petitioner's residence) or again to obtain personal service on Petitioner if he could be found again within the Commonwealth of Massachusetts. Petitioner could thus avoid the jurisdiction of the Federal Court of Massachusetts by remaining outside the Commonwealth although the Federal Anti-Trust laws expressly permit such suit to be brought "in the district in which the defendant resides or is found or has an agent".*

III. THE DECISION OF THE CIRCUIT COURT OF APPEALS.

The Court of Appeals (Opinion R. pp. 121–123) pointed out that the authorities relied on by the District Court, such as:

Lambert Run Coal v. *B. & O. R.R. Co.*, 258 U.S. 377, 382 (1921);

General Investment Co. v. *Lake Shore & M. S. Ry. Co.*, 260 U.S. 261, 288 (1922);

Minnesota v. *United States*, 305 U.S. 382, 388-9 (1938);

were not in point, and did not apply to the present situation, *where the State Court had jurisdiction over the action as it stood in that Court.* Accordingly, it refused to follow

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* Title 15, U.S. Code, Sec. 15 provides:

"Any person who shall be injured in his business or property by reason of anything forbidden in the anti-trust laws may sue therefore in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee. (Oct. 15, 1914, ch. 323, Sec. 4, 38 Stat. 731)."

the decision of the three other District Courts (and the Court below) which have held to the contrary:

Carroll v. *Warner Bros. Pictures, Inc.*, 20 F. Supp. 405 (D.C.S.D. N.Y. 1937);

Noma Electric Corp. v. *Polaroid Corp.*, F. Supp. ; 2 Fed. Rules Dec. 454, 54 U.S.P.Q. 138 (D.C.S.D. N.Y. 1942);

Howe v. *Atwood*, F. Supp. ; 55 U.S.P.Q. 177 (D.C.E.D. Mich. S.D. 1942).

The Court of Appeals (Judge Woodbury) said (R. pp. 122–3):

> "The Supreme Court in the cases cited above had under consideration the situation presented when *an action over which a state court had no jurisdiction was removed to a federal court,** and it held that, the state court having no jurisdiction, the federal court could acquire none upon removal, even though the federal court would have had jurisdiction, if the action had originally been brought in that court. The reason for this rule appears to be that because of lack of jurisdiction there was, legally speaking, no action pending i . the state court and hence no action which could be removed to the federal court.
>
> *But in the case at bar,* as well as in the *Carroll and Noma Electric Corp.* cases, *the state court had jurisdiction over the action as it stood in that court and hence there was pending before it an action which could be removed.* The question here presented is whether, after the removal of the action, it can be amended by adding a claim which the federal court has jurisdiction to try, but which the state court would have lacked if the claim had been advanced while the

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* Emphasis ours.

action was there pending. *The reason for the Supreme Court rule clearly fails in cases like the present.*"

IV. THE DECISION OF THE COURT OF APPEALS IS CORRECT.

The petition presents the legal question:

Where a State Court has jurisdiction of both subject-matter and the person of a defendant in an action in which the Federal Court has concurrent jurisdiction of subject-matter (because of diversity of citizenship and the requisite jurisdictional amount), and the defendant removes the action to the Federal Court, does the Federal Court then have jurisdiction to permit amendment of the complaint to add an action over which the Federal Court has exclusive jurisdiction as to subject-matter?

We submit that the question can be answered only in the affirmative, and that the decision of the Court of Appeals is correct.

The Massachusetts State Court, of course, had jurisdiction of the *original action* for breach of contract brought therein—jurisdiction of the *subject-matter,* under its general jurisdiction and powers—and jurisdiction of the *person* of the petitioner Freeman, by reason of personal service of process on him within the Commonwealth. *The State Court thus had full jurisdiction and power to act in the original action.*

The United States District Court for the District of Massachusetts likewise had jurisdiction of the *subject-matter* of the original action—because of the diversity of citizenship of parties and the requisite jurisdictional amount—Federal Constitution, Art. III, Sec. 2; Title 28, U.S.C. Sec. 41(1). The Federal District Court thus had *concurrent jurisdiction* with the Massachusetts State Court in the subject-matter.* The original action *could have been*

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* *Neirbo Co.* v. *Bethlehem Shipbuilding Corp.,* 308 U.S. 165 at 171 (1939).

brought just as well in the Federal Distict Court. Jurisdiction over the person of the petitioner by personal service on him within the District only was necessary—Title 28, U.S.C. Sec. 112(a).

Petitioner, however, removed the original action from the State Court to the Federal District Court, as he had a right to do—Tit. 28 U.S.C. Sec. 71. *But by so doing, he conferred jurisdiction on the Federal Court over his person, by consent, and submitted himself to the jurisdiction of that Court for all purposes*—just as if the original action had been brought in the Federal Court in the first place and personal service had been made upon him within the District of Massachusetts. The Federal Court below thus had jurisdiction of subject-matter, and acquired jurisdiction of the petitioner's person, and had full jurisdiction and power to act, both in the original action and any other which could be brought in the Federal Court. For that reason, the Motion to Amend the Complaint to Add the Action under the Federal Anti-Trust Laws could not be denied *for lack of jurisdiction* in the Federal Courts.

The Federal District Court, of course, has jurisdiction of an action under the Anti-Trust Laws of the United States —Title 15 U.S.C. Sec. 15; Title 28 U.S.C. Sec. 41 (23). It is immaterial that the State Court had no jurisdiction of that subject-matter, as the action under the Federal Anti-Trust Laws was not being brought in the State Court.

It is elementary law, of course, when a defendant removes an action to the Federal Court, the subject-matter of which is within the concurrent jurisdiction of both State and Federal Court, that the defendant thereby waives all objection to the jurisdiction of the Federal Court over his person, or to the venue or locality of suit. Further service of process to acquire jurisdiction of his person is unnecessary. Having once submitted his person to the jurisdiction of the Federal Court, he consents to its jurisdiction for all purposes within its power to adjudicate.

In *In re Moore*, 209 U.S. 490 (1907), Mr. Justice Brewer said (p. 496):

> "That the defendant consented to accept the jurisdiction of the United States court is obvious. It filed a petition for removal from the State to the United States Court. No clearer expression of its acceptance of the jurisdiction of the latter court could be had."

And see page 506—

In *Cowley* v. *Northern Pacific Railroad Co.*, 159 U.S. 569 (1895), Mr. Justice Brown said (p. 583):

> "The case having been removed to the Circuit Court upon petition of defendant, it does not lie in its mouth to claim that such court had no jurisdiction of the case, *unless the court from which it was removed had no jurisdiction.*"

In *Spencer* v. *Duplan Silk Co.*, 191 U.S. 526 (1903), Chief Justice Fuller said (pp. 531–2):

> "Plaintiff brought his action in the state court, and its removal on the ground of diverse citizenship placed it in the circuit court as if it had been commenced there on that ground of jurisdiction, . . ."

See also:

DeLima v. *Bidwell*, 182 U.S. 1 at 174 (1900).
Baggs v. *Martin*, 179 U.S. 206 at 208–9 (1900).
Philadelphia & Reading Coal & Iron Co. v. *Keslusky*, 209 F. 197 at 199 (C.C.A. 2, 1913).
Memphis Savings Bank v. *Houchens*, 115 F. 96 at 101–102 (C.C.A. 8, 1902).
U. S. Fidelity & Guaranty Co. v. *Board of Commissioners*, 145 F. 144 at 146 (C.C.A. 8, 1906).
Woodcock v. *B. & O. R. R. Co.*, 107 F. 767, 768–9 (C.C.N.D., Ohio, E.D. 1901).

Empire Mining Co. v. *Propeller Tow-Boat Co.*, 108 F. 900 at 902–3 (C.C., D.S.C. 1901).

Centaur Motor Co. v. *Eccleston*, 264 F. 852 at 853 (D.C.W.D. N.Y., 1920).

Friezen v. *Allemania Fire Insurance Co.*, 30 F. 349 at 351 (C.C.W.D. Wis., 1886).

Bankers Securities Corp. v. *Insurance Equities Corp.*, 85 F. (2d) 856 at 859 (C.C.A. 3, 1936).

An analogous situation is presented in *Leman* v. *Krentler-Arnold Hinge Last Co.*, 284 U.S. 448 (1931). There the plaintiff, a non-resident, brought a patent infringement suit against the defendant in the District Court of Massachusetts. The defendant counterclaimed for infringement of another patent. The plaintiff's suit was dismissed and the defendant recovered on its counterclaim and subsequently brought a contempt proceeding. The plaintiff objected that the court had acquired no personal jurisdiction over it in Massachusetts. Mr. Justice Hughes said (p. 451):

> "First. The question of jurisdiction turns upon the nature and effect of the decree in the infringement suit and the relation to that suit of the contempt proceeding. When the respondent brought the suit in the Federal District Court for the District of Massachusetts, it submitted itself to the jurisdiction of the court with respect to all the issues embraced in the suit, including those pertaining to the counterclaim of the defendants, petitioners here. Equity Rule 30. See Langdell, Eq. Pl. Chap. 5 Sec. 119; *Frank L. Young Co.* v. *McNeal-Edwards Co.*, 283 U.S. 398, 400, 75 L. ed. 1140, 1141, 51 S. Ct. 538."

It is also elementary law that when a case is properly removed to the Federal Court, its procedure thereafter is governed by the Federal Statutes and Rules—just as if the action had been brought in the Federal Court in the first

instance. By removing the case to the Federal Court, peti tioner consented to having the case governed thereafter by the Statutes and Rules applicable to the Federal Courts including the policy of Rule 18(a) of the Rules of Civi Procedure, which permits the plaintiff or defendant to

> *"join either as independent or as alternate claims, a many claims, either legal or equitable or both, as h may have against an opposing party."*

Title 28 U.S.C. Sec. 81 expressly provides:

> *"The district court of the United States shall, in al suits removed under the provisions of this chapter, pro ceed therein as if the suit had been originally com menced in said district court,* and the same proceed ings had been taken in such suit in said district cour as shall have been had therein in said State court prio to its removal."

Rule 81(c) of the Rules of Civil Procedure provides:

> "81(c) REMOVED ACTIONS. These rules apply to civi actions removed to the District Courts of the Unite States from the State Court and *govern all procedur after removal.* Repleading is not necessary unless th court so orders."

In the following removed cases procedural rights afte removal were held determined by the Statutes and rule applicable to actions in the Federal Courts, as if the actio had been brought there originally:

In *King* v. *Worthington,* 104 U.S. 44 (1881), the compe tency of witnesses was determined by applicable Federa Statute, although the witnesses would have been incompe tent in the State Court. Mr. Justice Woods said (p. 51):

> "The Federal Court was bound to deal with the cas

according to the rules of practice and evidence prescribed by the acts of Congress. If the case is properly removed, the party removing it is entitled to any advantage which the practice and jurisprudence of the Federal court give him."

In *Lehigh Valley Railroad Co.* v. *Rainey*, 99 Fed. 596 at 597–8 (C.C.E.D. Pa. 1900), a defense based on United States laws regulating interstate commerce was held available, and did not oust the Federal Court of jurisdiction, although it could not have been raised in the State Court.

In *Newberry* v. *Central of Ga. Ry. Co.*, 276 F. 337 at 338 (C.C.A. 5, 1921) an amendment to a complaint after removal alleging that defendant was engaged in interstate commerce was held not to oust the Federal Court of jurisdiction, although if it had been made in the State Court, it would have prevented removal, under the Federal Employer's Liability Act (Title 45 U.S.C. Sec. 56).

In *Henning* v. *Western Union Tel. Co.*, 40 F. 658 at 658–9 (C.C.D.S.C., 1889) the plaintiff was required to provide security for costs, although it could not have been required in the State Court.

In *Miller Parlor-Furniture Co.* v. *Furniture Workers' Union*, 8 F. Supp. 209 at 209 (D.C.D.N.J., 1934), a labor case, after removal was held subject to Federal Statutes governing issuance of restraining orders.

See also:

Borton v. *Conn. General Life Ins. Co.*, 25 F. Supp. 579 at 579 (D.C.D. Neb. 1938).

Meehan v. *Schenley Distillers Corp.*, 27 F. Supp. 989 at 989 (D.C.S.D. N.Y., 1939).

The same rule is held, specifically, to apply to amendments of the complaint, after removal. See *Salyer* v. *Consolidation Coal Co.*, 246 F. 794 at 796 (C.C.A. 6, 1918).

Having himself invoked the jurisdiction of the Federal Court, it does not now lie in petitioner's mouth to say that he should not be held subject to its rules of procedure.

V. THE DECISION OF THE DISTRICT COURT WAS CLEARLY WRONG.

PETITIONER'S ARGUMENTS ANSWERED.

THE PENDING PETITION IN ALTWATER v. FREEMAN NO. 696—A COMPANION CASE.

The District Court's decision was based on *Carroll* v. *Warner Bros. Pictures, Inc.*, 20 F. Supp. 405 (D.C.S.D. N.Y., 1937)—a parallel case, which started the present confusion—now dispelled by the decision of the Court of Appeals herein. There the plaintiff brought suit in the State Court of New York for slander of title, unjust enrichment, and services rendered. After defendant removed the case to the Federal Court because of diversity of citizenship, plaintiff amended his complaint to add a fourth cause of action under the Anti-Trust Laws of the United States. Judge Leibell, *on his own motion*, dismissed the fourth cause of action on the ground that the plaintiff in a removed case could not plead an action over which the State Court would not have had jurisdiction in the first instance,—citing:

> *Lambert Run Coal Company* v. *B. & O. Rr. Company*, 258 U.S. 377 at 382 (1921)
>
> *General Investment Company* v. *Lake Shore & M. S. Ry. Co.*, 260 U.S. 261 at 288 (1922)

He failed to perceive that those were cases in which plaintiff had brought suit in the State Courts on Federal causes of action *of whose subject-matter the State Court had no jurisdiction in the first place*—and that in the *Carroll case* the State Court had jurisdiction over the subject matter of the original cause of action.

The *Carroll case* is criticized in a Note in *51 Harvard Law Review*, 927 at 928 (1938), and in 1 *Moore's Federal Practice Under The New Federal Rules*, Sec. 15.01.

For good reason, therefore, the Court of Appeals herein refused to follow the *Carroll* case and reversed the District Court below.

The fundamental fallacy in Petitioner's argument is his failure to realize that jurisdiction over the person can be obtained by consent, as well as by service of process, and that here the jurisdiction of the Federal Court over him was conferred by himself—in removing the original action thereto. In so doing, he submitted himself to its jurisdiction for all purposes. The situation is not unlike *Neirbo Co.* v. *Bethlehem Ship Building Corp.*, 308 U.S. 165 (1939) wherein this Court held that a foreign corporation which had designated a local agent for the service of process, as a condition of doing business in a State, waived the privilege conferred by Sec. 51 of the Judicial Code (Title 28, U.S.C. Sec. 112) of being sued in diversity of citizenship cases only in the district of residence of either plaintiff or defendant. The petitioner here, of course, cannot invoke the jurisdiction of the Federal Courts for purposes which suit his convenience and deny it for those that do not. Hence, it was no "subterfuge" for Respondent to amend its complaint after removal to add an action under the Anti-Trust laws of the United States—as expressly permitted by the Federal Rules of Civil Procedure.

Petitioner's quarrel with the policy of Congress in permitting a suit under the Anti-Trust Laws of the United States to be brought against the defendant where "he is found" (Title 15, U.S.C. Sec. 15)—that it "completely disregards the hardship on the defendant"—is misguided. There is equal hardship on the plaintiff if compelled to sue only in the district of defendant's residence.

The petitioner, who here implores the solicitude of the

Federal Courts in protecting him from suit under the Anti-Trust Laws of the United States, except at his residence, is, strangely enough, one who himself has been very derelict in his obligations toward the public and has flagrantly abused his patent privileges. A more gross abuse of patent privileges has seldom been brought to the attention of the Federal Courts—we venture to say. The nature of respondent's claim in this respect is set forth in its Added Complaint Under the Anti-Trust Laws (R. pp. 95–98). As there shown, petitioner, a patent owner, licenses others, such as respondent, under his patents to make dies used in shoe manufacture, for making holes or "cut-outs" in the uppers of women's shoes for purposes of decoration. Petitioner's original patent No. 1,681,033, Aug. 14, 1928, covering the *anvil die* was held invalid in *Premier Machine Company* v. *Freeman,* 84 F. 2d 425 (C.C.A. 1, 1936) and 23 anvil die claims were disclaimed. Nevertheless, the petitioner Freeman, wholly without legal justification, has continued to represent to the shoe industry that *anvil dies* are still his monopoly, that a licensee must continue to pay him 15% royalties, and that shoe manufacturers can obtain such dies only from his licensees. The basis of this representation is his obtaining reissue patents (Nos. 20,202 and 20,203) from the Patent Office, after the Premier decision, in 1936, with *method* claims,* *in the practice of which method the unpatented dies are used.* This representation, of course, is wholly improper under *Leitch Mfg. Co.* v. *Barber Company,* 302 U.S. 458 (1937), *B. B. Chemical Co.* v. *Ellis,* 314 U.S. 495 (1941), and *Morton Salt Co.* v. *G. S. Suppiger Co.,* 314 U.S. 488 (1941). In addition many of Freeman's claims of his patents (Reissues Nos. 20,202 and 20,203) are of the

* The method, incidentally, had been in public use at least 10 years before Freeman first presented his method claims in the reissue applications, violating the rule of *Sontag Chain Stores Co.* v. *National Nut Co.,* 310 U.S. 281 (1939).

same scope as, and are not "definitely distinguishable" from those previously disclaimed by Freeman after the Premier decision, and hence violate the rule of *Maytag Co. v. Hurley Machine Co.*, 307 U.S. 243 (1938).

The subject-matter of this litigation is already before this Court on a petition for writ of certiorari in *Altvater et al. v. Freeman et al.*, No. 696, Oct. Term, 1942—a suit brought by Freeman against another licensee, Altvater, in the United States District Court for the Eastern District of Missouri, Eastern Division, for specific performance of his license agreement. The District Court held the Freeman reissue patents (Nos. 20,202 and 20,203) invalid because (Finding of Fact No. 29):

> "The plaintiffs have entered into license and lease agreements involving the patent in suit that attempt to monopolize and limit competition in unpatented dies and machines."

On appeal, however, the Circuit Court of Appeals for the Eighth Circuit affirmed in finding the patents not infringed, but refrained from holding them invalid on the ground that holding of invalidity was unnecessary for the decision—although conceding that Freeman's conduct was "violative of public policy". Unfortunately, this action of the Circuit Court of Appeals leaves it in Freeman's power to continue his misrepresentations and his gross abuse of his patent privileges. *Even to this day* respondent herein is required to pay into the District Court for the Southern District of Ohio, Western Division (at Dayton) a 15% royalty on *unpatented anvil dies* as a condition of suspending a preliminary injunction—obtained by Freeman's representations to that Court that his method claims of *Re* No. 20,203 entitled him to cover such *unpatented dies*, used in the practice of the patented method. The petitioner herein, Freeman, has taken no step to purge himself, or to inform that Court that

he no longer contends that *anvil dies* come within the scope of his patents. In fact, he still so contends, and Respondent's efforts to show that this is not possible, under the recent decisions of this Court, were wholly unconvincing to the District Court in Ohio. These misrepresentations by petitioner herein as to the scope and effect of his patents and his illegal restraints upon trade will unquestionably continue, until the Freeman patents are finally held invalid, as they properly should be. Respondent's action herein under the Anti-Trust Laws of the United States merely seeks damages, and not a declaration of invalidity of the Freeman Reissue patents, Nos. 20,202 and 20,203, and cannot bring about that highly salutary result.

VI. CONCLUSION.

We respectfully submit that the petition for writ of certiorari herein should be denied, because the judgment of the Court of Appeals was correct, and in accord with the decisions of this Court, and presents no question requiring decision by this Court.

Respectfully submitted,

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JAMES W. SULLIVAN,
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March 1, 1943.